

Grains & Oilseeds Outlook for 2004

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Committees, USDA

Agricultural Outlook Forum 2004

Friday, February 20, 2004

3-Crop Seeded Area Up 1.7 Million Acres

Wheat, Corn, and Soybean Planted Acreage, 1998-2004F (Mln. Ac.)

Crop	1998	1999	2000	2001	2002	2003	2004F
Wheat	65.8	62.7	62.6	59.6	60.5	61.7	60.5
Corn	80.2	77.4	79.6	75.8	79.1	78.7	80.5
Soy	72.0	73.7	74.3	74.1	73.9	73.4	74.5
Total	218.0	213.8	216.4	209.4	213.4	213.8	215.5

- Both corn & soybean area up in 2004.
- All wheat area down even with some re-seeding of abandoned winter wheat.
- Higher farm incomes and high spot and new crop prices at planting time encourage increased seedings.
- 3-crop planted area up 1.7 million acres (eight-tenths of a percent) but less than the area seeded in 2000.

Wheat: Supply, Demand, and Price, 2002/03-2004/05

	2002/03	2003/04 1/	2004/05 2/
Planted (mil. acres)	60.5	61.7	60.5
Area harvested	45.9	52..8	50.8
Yield (bu./acre)	35.3	44.2	41.7
Production (mil. bushels)	1,619	2,337	2,120
Beginning Stocks	777	491	534
Imports	77	75	75
Supply	2,474	2,903	2,729
Feed and residual	126	225	250
Food, seed, & industrial	1,001	994	988
Total Domestic Use	1,128	1,219	1,238
Exports	854	1,150	950
Total Use	1,982	2,369	2,188
Ending Stocks	491	534	541
Stocks/Use	24.8%	22.5%	24.7%
Farm Price (\$/bushel)	3.56	3.35 3/	3.35

1/ Forecast. 2/ Projected. 3/ Midpoint of forecast range

- Spring wheat acres up 2-3% and durum down 1-2%. Abandonment slightly higher.
- Wheat yields are trend but below last year's record.
- Food use down slightly but wheat feeding is higher.
- Exports drop 200 million bushels due to increased competition particularly from EU and FSU as well as other "minor" exporters.

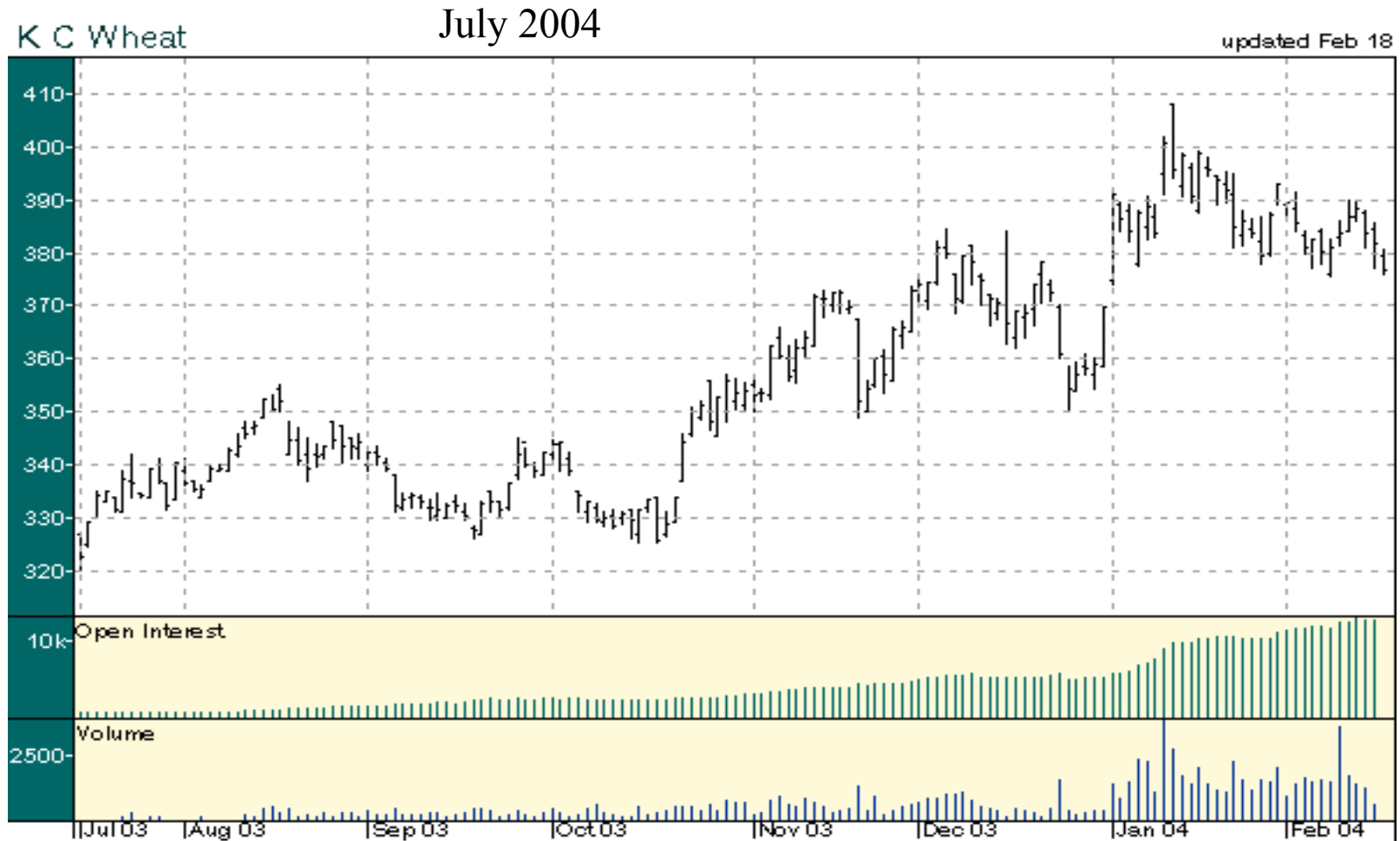
Wheat : Corn Price Spreads Feb 18, 2004

Location	Wheat (cents/bu)	Corn	Wheat/Corn (%)
Greeley, CO	5.62	5.14	109%
Garden City, KS	5.83	5.16	113%
Canyon, TX	5.82	5.36	109%
CBOT Jul Fut	6.18	5.16	120%

What About China?

- 2003 crop down 5% from 2002. Smaller crops 4 years in a row. Some reports suggest 2004 crop could be smaller.
- Feb 5 : 40 mln. bu.“old” crop and 33 mln. bu. “new” crop sales.
- Reports that another 18 mln. bu. contracted during visit of wheat buying delegation.
- Reports that another 55-75 mln. bu. booked from Canada and Australia.

2004/05 Nat'l Avg. Farm Price \$3.35, Unchanged from 2003/04F



Source: with permission of DTN

Corn: Supply, Demand, and Price, 2002/03-2004/05

	2002/03	2003/04 1/	2004/05 2/
Area planted (mil. acres)	79.1	78.7	80.5
Area harvested	69.3	71.1	73.2
Yield (bu./acre)	130.0	142.2	142.2
Production (mil. bushels)	9,008	10,114	10,410
Beginning Stocks	1,596	1,087	901
Imports	14	10	10
Supply	10,618	11,211	11,321
Feed and residual	5,593	5,800	5,725
Ethanol industrial use	996	1,150	1,300
Other food, seed & industrial	1,350	1,360	1,375
All food, seed, & industrial	2,346	2,510	2,675
Total Domestic Use	7,939	8,310	8,400
Exports	1,592	2,000	2,100
Total Use	9,531	10,310	10,500
Ending Stocks	1,087	901	821
Stocks/Use	11.4%	8.7%	7.8%
Farm Price (\$/bushel)	2.32	2.45	2.60
		3/	

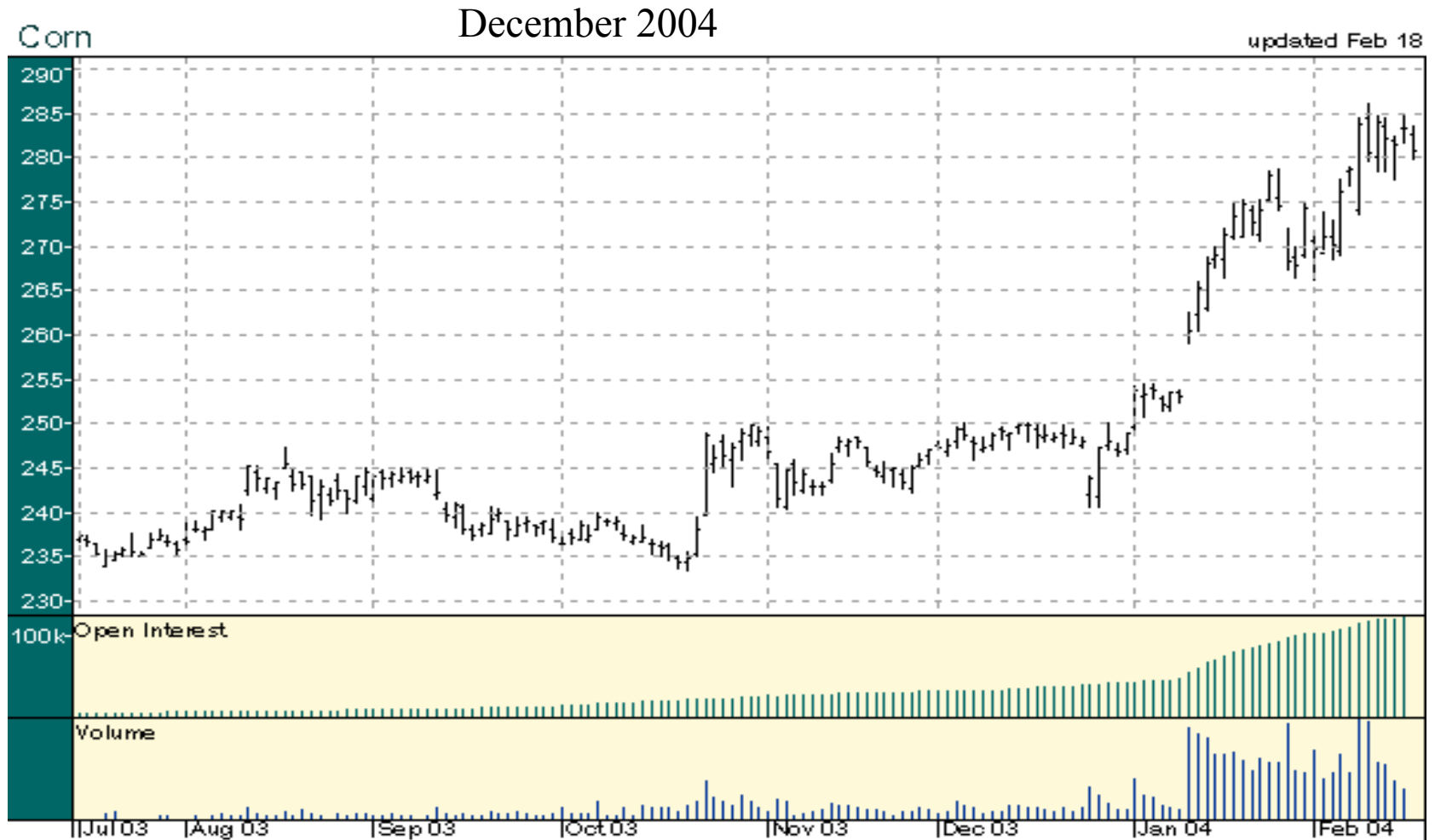
1/ Forecast. 2/ Projected. 3/ Midpoint of forecast range.

- Average planted/harvested ratio and trend yields produce a record crop that is up nearly 300 mln. bu. but supplies up only 110 mln.
- Less corn fed due to lower cattle numbers and increased feeding of other grains.
- Increased FSI due mostly to higher corn use by ethanol industry (up 150 mln. bu.).
- Exports up 100 million bushels due to less competition from China and S. Africa but competition from feed wheat will increase.

What About China?

- 2003 corn stocks at 21 MMT, down 23 MMT and smallest since 1974/75.
- Rising domestic prices in Fall and Winter contributed to first food inflation in years.
- 2004 corn (and other crops) area seeded may decline due to more profitable crops, water shortages, and land conversion.
- Reports that exports will be restricted in Jan-Jun 2004 but policies affecting exports still unclear.
- Impact of Avian Influenza on China (and world).

2004/05 Nat'l Avg. Farm Price \$2.60, Up \$.15 from 2003/04F



Source: with permission of DTN

Soybeans: Supply, Demand, and Price, 2002/03-2004/05

	2002/03	2003/04	2004/05
		1/	2/
Area planted (mil. acres)	73.9	73.4	74.5
Area harvested	72.4	72.3	73.2
Yield (bu./acre)	38.0	33.4	40.0
Production (mil. bushels)	2,749	2,418	2,930
Beginning Stocks	208	178	125
Imports	5	8	5
Supply	2,962	2,604	3,060
Crush	1,615	1,455	1,635
Seed, & residual	123	123	155
Total Domestic Use	1,739	1,579	1,790
Exports	1,045	900	1,060
Total Use	2,784	2,479	2,850
Ending Stocks	178	125	210
Farm Price (\$/bushel)	5.53	7.25	5.90
		3/	

1/ Forecast. 2/ Projected. 3/ Midpoint of forecast range.

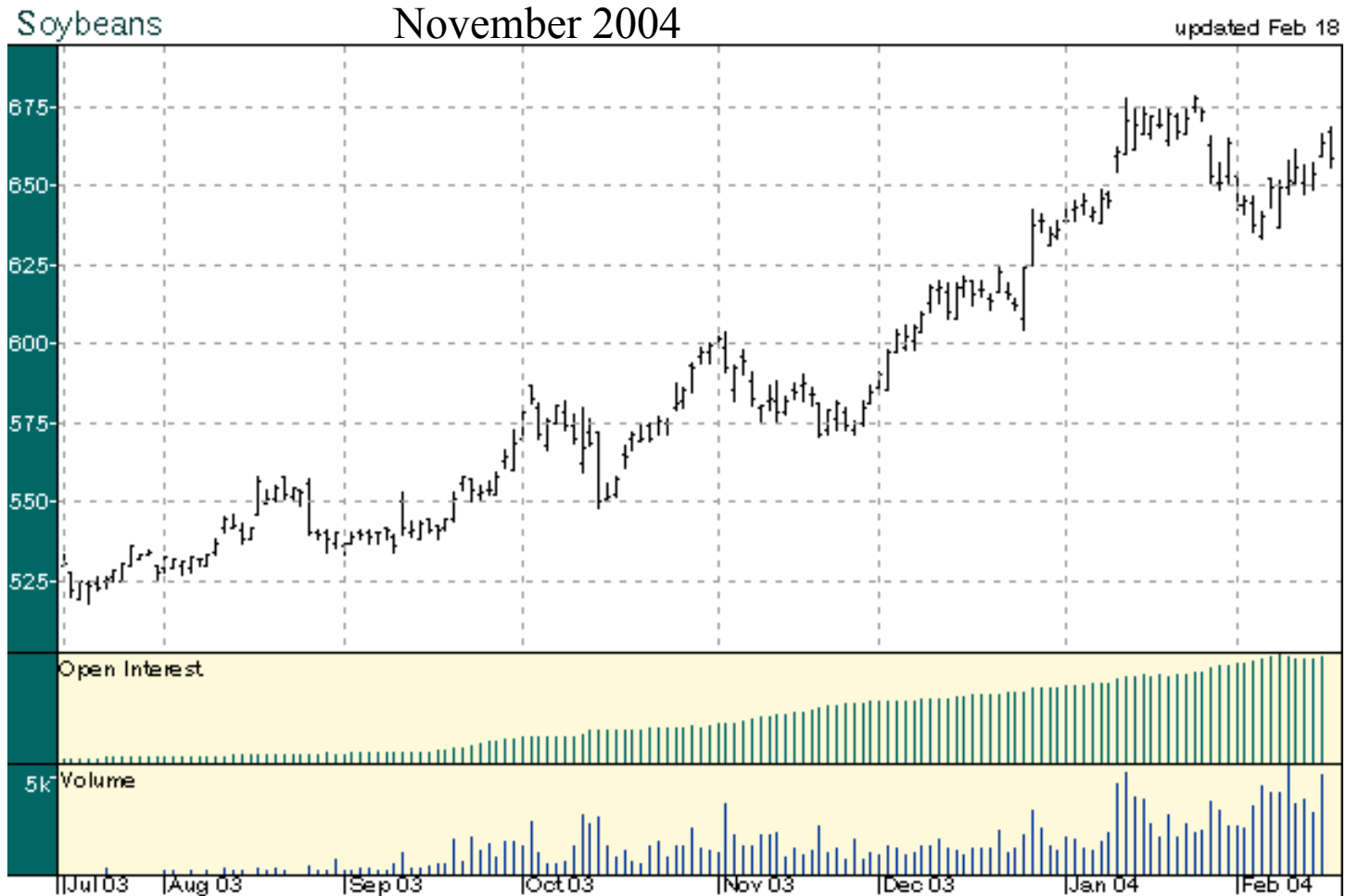
- Soybean planted area up 1 percent despite disappointing yields in recent years.
- Average planted/harvested ratio and trend yield produce a record 2.9 bil. bu. crop.
- Supplies projected up 18% (about 450 mil. bu.) as yields recover from last year (33.8).

- Increased domestic soybean meal use and higher meal exports are expected to result in an increase in crush for the first time in 3 yrs.
- Soybean exports are projected at 1.06 bil. bu.
 - This reflects only limited gains in world trade, but recovery from the low trade share projected for 2003/04.
- Soybean stocks are expected to rebuild from low levels projected for 2003/04, reaching just over 200 million bushels.

- Soybean prices for 2004/05 are projected down 19 percent at \$5.90 per bushel.
- Factors affecting 2004/05 price include:
 - Record South American crops expected in 2004 and 2005 (negative).
 - Uncertainty about protein demand in parts of Asia and in China (negative?).
 - Effect of high prices late in 2003/04 marketing year (positive).
 - Relatively high corn prices (positive).

- U.S. soybean oil market remains tight and exports remain low despite increased crush as domestic disappearance takes most of the increased production.
- Soybean meal and oil prices are projected below 2003/04 levels at \$195 per ton and 26 cents per pound, respectively.

2004/05 Nat'l Avg. Farm Price \$5.90, Down \$1.35 from 2003/04F



Source: with permission of DTN

Soybean Meal: Supply, Demand, and Price, 2002/03-2004/05

	2002/03	2003/04	2004/05
		1/	2/
	Thousand short tons		
Beginning Stocks	240	220	200
Production	38,213	34,755	38,910
Imports	166	475	240
Supply	38,619	35,450	39,350
Domestic Use	32,386	31,000	33,500
Exports	6,013	4,250	5,600
Total Use	38,399	35,250	39,100
Ending Stocks	220	200	250
Avg. Meal Price (\$/ton)	181.57	240.00	195.00
		3/	

1/ Forecast. 2/ Projected. 3/ Mid-point of forecast range.

Soybean Oil: Supply, Demand, and Price, 2002/03-2004/05

	2002/03	2003/04	2004/05
		1/	2/
	Million pounds		
Beginning Stocks	2,358	1,491	1,006
Production	18,438	16,380	18,445
Imports	46	235	105
Supply	20,843	18,106	19,556
Domestic Use	17,091	16,250	17,300
Exports	2,261	850	1,100
Total Use	19,352	17,100	18,400
Ending Stocks	1,491	1,006	1,156
Avg. Oil Price (\$/lb.)	0.220	0.290	0.260
		3/	

1/ Forecast. 2/ Projected. 3/ Mid-point of forecast range.